

January 31, 2023

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Debt Segment – **974163, 974199, 974473,**
974511

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Dear Sir,

Sub: Q3 FY23 - Earnings Call Transcript

We are enclosing herewith a copy of the transcript of the Company's Q3 FY23 earnings conference call held on January 25, 2023. The transcript is also being uploaded on the Company's website i.e. www.lodhagroup.in under the Investors section.

This is for the information of your members and all concerned.

Thanking you,

Yours truly,

For Macrotech Developers Limited

Sanjyot Rangnekar
Company Secretary & Compliance Officer
Membership No F4154

Encl: As above



“Macrotech Developers Limited
Q3 FY2023 Earnings Conference Call”
January 25, 2023



ANALYST: MR. BIPLAB DEBBARMA - ANTIQUE STOCK BROKING LIMITED

MANAGEMENT: MR. ABHISHEK LODHA – MANAGING DIRECTOR & CHIEF EXECUTIVE OFFICER - MACROTECH DEVELOPERS LIMITED
MR. SUSHIL KUMAR MODI – CHIEF FINANCIAL OFFICER - MACROTECH DEVELOPERS LIMITED
MR. ANAND KUMAR - HEAD INVESTOR RELATIONS - MACROTECH DEVELOPERS LIMITED
MR. AUN ABDULLAH - HEAD OF ESG INITIATIVES - MACROTECH DEVELOPERS LIMITED
MS. MAHIKA SHISHODIA - SOCIAL IMPACT LEAD - MACROTECH DEVELOPERS LIMITED

Moderator: Ladies and gentlemen, good day and welcome to Macrotech Developers Limited Q3 FY2023 Earnings Conference Call hosted by Antique Stock Broking Limited. As a reminder, all participant lines will be in the listen only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing ‘*’ then ‘0’ on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Biplab Debbarma from Antique Stock Broking Limited. Thank you and over to you Sir!

Biplab Debbarma: Thank you Faizan. Good afternoon everyone and welcome to the Q3 FY2023 earnings call of Macrotech Developers Limited hosted by Antique Stock Broking. Today we have with us the management of Macrotech Developers represented by Mr. Abhishek Lodha - Managing Director & CEO; Mr. Sushil Kumar Modi - CFO; and Mr. Anand Kumar - Head IR. Without further ado let me hand over the call to Mr. Lodha. Over to you Sir!

Abhishek Lodha: Good afternoon everybody. Wishing you a very Happy New Year, May 2023 be full of good health and success for you and your family. Amidst all the global uncertainty of how high inflation can get to, how high interest rates can go, how deep or how long can a recession in the developed world be, we ended yet another stable quarter in the direction of achieving a consistent countercyclical growth trajectory for our company. Worries that interest rates are getting uncomfortably higher in India for home loan borrowers, home prices are rising up rapidly and tailwinds witnessed in the last couple of years will disappear or even turn into headwinds are coming unfounded. As a strategy we have adopted the policy of reasonable pricing and that basically means that at all times we will try and ensure that home price growth remains below wage and salary growth. YTD price growth has been about 5% in line with our original guidance of 5% to 6% price growth for the full year and we remain completely convinced that our thesis on the benefits of keeping price growth below wage growth and expanding the market will play out strongly in the years to come. Additionally we have also supported our home buyers particularly in the affordable and mid income segments by taking on some of the burdens of the increased mortgage rates which has come at a very minimal cost to our P&L.

With all that, that we have had, it has been quite a satisfactory quarter in terms of presales with record presales of over INR 3000 Crores exactly INR 3035 Crores growing 16% year-on-year, which puts us well on track to meet our annual guidance. Equally our new project addition has been more than satisfactory, well surpassing our guidance and in the process ensuring growth in the quarters and years ahead. In spite of the significant investments in business development we reduced our debt by INR 750 Crores in this quarter while we will achieve about INR 7000 Crores of net debt by the end of fiscal 2023, we have shown that that we can continue to grow while reducing debt and this will be our theme for the next

fiscal too and we will continue to reduce our debt well below the limit or peak of 1x of operating cash flow and 0.5x equity debt that we set for ourselves. Given the clear visibility of debt reductions, our debt ratings, credit ratings have continue to improve leading to our borrowing costs further coming down by 80 bps to 9.7% from 10.5% at the start of the fiscal. This has to be seen in light of the 225 basis points hike by RBI in the same period. In any case the balance sheet remains in an extremely comfortable and healthy position and only moving further in the right direction.

Revenue and EBITDA had a year-on-year drop, but that is purely because of the revenue recognition method, which forces that revenue be recognized only for the projects which are completed in this quarter which are really projects which were started maybe two-and-a-half, three years ago and the slightly lower margins were because of the fact that again Ind AS asked for cost to be recognized in line with the spend in the current quarter whereas the revenues are recognized in line with only completions in the current quarter. As discussed on earlier calls that the real KPIs of our performance are presales, the embedded EBITDA margin, new business additions, and ESG performance. The P&L revenue and EBITDA tend to be a lagging indicator of the business health.

A few highlights for your reference. As I mentioned we had our best ever Q3 presales at INR 3035 Crores growing 16% year-on-year. This is a second consecutive quarter that we have achieved INR 3000 Crores of presales showcasing the strength of the brand and actually in the calendar year 2022 we have three quarters out of four where we did more than INR 3000 Crores of presales and our total presales for the calendar year 2022 were actually over INR 12000 Crores, which is also ahead of our full year guidance of fiscal 2023 which is at INR 11500 Crores. This only evidences the strength of the brand and the rising attraction that brand Lodha carries amongst the consumer.

With the recurring strong performance in the first three quarters of the year we have already achieved presales of INR 9039 Crores, which is higher than the presales for the full year of fiscal 2022 registering therefore a 62% year-on-year growth. In line with our commitment to provide more transparency we started disclosing the profitability of our new presales done since the last quarter. We believe that this would help our stakeholders and the financial community to also get a better sense not only on the trajectory of topline growth but also on the underlying profitability of the same. This embedded EBITDA margin, which for this quarter is at about 31% of our presales, the same for nine months of FY2023 is at approximately 33%. The embedded EBITDA margin was achieved with nearly one third of sales coming from our joint development projects.

Over a slightly longer horizon as the benefit from the modest price increases flow through we should continue to deliver 30% plus EBITDA margin even as we hit the optimal mix of JDAs of being about 40% of our overall sales. This optimal mix of JDAs will also help us

achieve our goal of 20% ROE. Based on this embedded EBITDA one can derive the pro forma P&L for the quarter based on the presales and looking at the embedded EBITDA of 33% for the presales in the nine months up to fiscal 2023 and then taking into account the cost of finance as well as a very modest cost of depreciation, etc., and are assuming the tax rate at around 25% we can see that the underlying profitability of the business for the full year is likely to be in the range of about INR 1900 Crores of PAT. The collections continue to track the presales growth with a lag of about a quarter or so and came in at about INR 2682 Crores showing a growth of 26% year-on-year. We expect collections to remain robust in the current quarter, further aiding us to reduce debt. While we reduced debt by about INR 750 Crores in the last quarter, we expect to reduce debt by almost INR 1000 Crores in the current quarter.

In terms of additional update outside our core residential business on the UK front the repatriation of the money coming back from London continues at pace. In addition to INR 100 Crores which was repatriated in Q2 of the current fiscal we had approximately INR 155 Crores further repatriated in Q3 of fiscal 2023. We continue to have good visibility for the full repatriation of approximately INR 1000 Crores including the INR 155 Crores which has come in this last quarter to come through in calendar year 2023 as we had noted at the previous call.

I also wanted to bring your attention to three areas, which have the ability to contribute to value creation beyond our core residential business. We now have ready commercial assets with annual lease income potential of approximately INR 2.6 billion per annum. At a 7.5% cap rate this is over INR 30 billion of assets that we have available, which could be over time a good source of both rental income and if and when relevant also of the cash flow from the disposal.

Our green digital infra business, which is a platform in partnership with Bain Capital and Ivanhoe Cambridge CDPQ is growing well. We welcome Mr. DS Rawat as the new CEO of the platform, Mr. Rawat was CEO of Bharti Infratel for almost 10 years in his earlier roles. We expect the green digital infra business to start creating annuity income stream for us and we expect this income stream to be almost INR 3 billion per annum by fiscal 2026 and then grow it significantly further by the end of the decade.

The third element is our facility management business, which is growing steadily as the underlying residential business is growing and we are now augmenting this facility management business with a digital services app. We expect this business to generate recurring fee income of approximately INR 1 billion per annum by fiscal 2026 and then further growing significantly to almost INR 5 billion per annum by the end of the decade.

Moving forward on the cost side, the construction costs have remain largely stable vis-à-vis the previous quarter, essentially now for the seven quarters between March 2021 and December 2022 construction costs have increased at an annualized rate of approximately 6%. Just to reiterate construction cost intensity in India is quite modest as it accounts for just about a third of the sales value. In addition within this construction cost bucket almost one third of the cost is labor cost which is plentifully available in India especially when it comes to unskilled and semiskilled labor and therefore is not prone to any steep inflation. So in effect it is only the commodities which are exposed to inflation and thus manageable in the overall costs. Our higher share of ready and near ready inventory further provide us with further cushion against inflationary pressures. Overall the fact that construction cost inflation is now down to about 6% per annum is evidence of the fact that the impact of the geopolitical circumstances from last year is now starting to moderate and we hope that not only will it help in having more predictable construction cost going forward but also help in moderating the inflation in the overall economy and therefore help the rate cycle to start moving to a peak and then downwards later in this year.

In terms of the land supply we continue to see significant availability of land for us. As I mentioned at the start of the call we have added almost INR 18000 Crores or 178 billion of new projects in the nine months of this fiscal against our full year guidance of INR 150 billion. We believe that this is just an indication of the fact that not only land owners are bringing land to us but they are also convinced about the fact that success in future projects will only come from a handful of players and therefore land availability will continue to remain reasonable or good for players like us. This consolidation of supply is a healthy trend for the industry and will ensure that in the longer term the industry has disciplined supply dynamics as well as disciplined pricing.

Moving forward at this stage we do not see any amber flags on the demand environment, and my educated guess is we are close to the peak of the current interest rate cycle which is also encouraging. Almost all the parameters on our P&L and balance sheet are looking upwards and very promising. As a company, we are very focused on ESG in addition to our financial metrics, we are very proud of our continuing focus and performance on the ESG front. I am proud to inform you that we were rated as being amongst the top 1 percentile of real estate companies across the world by S&P's Global Corporate Sustainability Assessment. We also received a 5 star rating from the Global Real Estate Sustainability Benchmark GRESB and that ranked us as the third best developer in all of Asia. To dive deeper into the reasons for these recognitions and explain our future strategy in this regard today we have with us the Head of our ESG initiatives, Aun Abdullah and our Social Impact Lead Mahika Shishodia.

Before I hand over to them I just want to provide a small capital market update as well. There has been no shortage of uncertainty in year 2 as it looks like so much attention has

just gotten diverted towards China. In that environment we have completed yet another important milestone in our journey with respect to capital markets. This follows the numerous milestones achieved in the last two years including most importantly the listing of our company, thereafter the raise of primary capital for debt reduction and growth, and finally now meeting the last hurdle to meet the minimum public shareholding criteria of 25%. We were the first company to use the QIP methods to do an OFS. I can now safely say that we do not envisage any further equity issuance primary or secondary for quite some time now. In the process the promoter group has also paid off its entire debt obligations and freed our shareholding in Macrotech Developers from all encumbrances with the highest level of disclosures and corporate governance not to mention of long-term secular growth prospects. We welcome our new marquee investors in the shareholder register and we relentlessly continue on the journey to become one of the most respected corporates.

In conclusion I will reiterate that this is just a second year of the 10-to-15-year housing cycle, which has started on the back of strong affordability, household income growth and consolidated supply. We are now ending the year and Q4 generally tends to be a strong quarter and the early read of Q4 reinforces our belief of the industry is being in a structural uptrend. We are confident of achieving our twin objectives of 20% CAGR in presales and about 20% ROE over the medium term, at the same time keeping leverage well below 1x operating cash flow and 0.5x of our net worth. With this I now hand over to Aun and Mahika for a short brief on our ESG journey and after that Sushil and I will be available to respond to your questions. Thank you.

Aun Abdullah:

Thank you Abhishek. Hello and good afternoon everyone. Today I would like to share our philosophy and performance on ESG. What we build today, will last or even outlast this century and it will see the environmental and socioeconomic transition as it actually unfolds. Being a leader we therefore shoulder a significant responsibility to do what is right because that will determine that this transition is just quick and bodes well for all. So it is clear that growth of our business will actually be shaped to a large degree on how well we are able to converge our business goals with our ability to convert these risks into long-term value creation opportunities and that is the basis of our do good do well philosophy.

Our projects are home to lakhs of residents, projects like Palava are a unique template of sustainable urbanization in all aspects including experiential to environmental to socioeconomic and we want to build upon that strength. Our environmental strategy is built on two pillars of decarbonization and resilience. You must have been aware of our 2035 operationally net zero target, which we are sure that we will achieve earlier than that. We have been able to reduce our GHG emissions by more than 50% in last five years. Today our construction stage energy use comes mostly from renewable sources. All our projects are being built as green projects and through our ambitious initiative that is Lodha Net Zero Urban Accelerator, which we have found with Rocky Mountain Institute who are a global

think and do tank in the energy transition space. We are working on initiatives covering the entire spectrum of emissions in the built environment all the way from embodied carbons to operational carbon to even the emissions beyond our operational boundary.

We already treat 100% of waste water and use it across our projects to enhance water resilience. We not only recharge the rain water but we enable its storage and use it to lower our external water needs. We are working with experts to decipher the physical climate risks thereby gaining the ability to take the right mitigation measures in right proportions. Our social strategy is currently focused on women empowerment, upskilling and education. We have an ambitious gender diversity goal and that goes with our best people practices and our ardent focus on safety and wellbeing of people in our ecosystem. We are engaging deeply with our value chain to partner in this journey and help us in a just transition. Avoiding the risk of repetition I will let my colleague Mahika to shortly elaborate on some of our initiatives in the social domain in a minute.

Coming to governance we believe that trust and transparency is the bedrock of any enterprise. Although we have a short listed history we have set a very strong governance benchmark for ourselves. As a company we have grown nearly 20 times in last two decades and in our view such an unprecedented growth would not have been possible without a strong governance backbone and a very tall code of conduct. In terms of our Board we have a very active diverse and independent Board that drives us in our journey. In fact we are amongst those few companies which have an Independent Director as the Chairman of the Board. Our Chairman, Mr. Mukund Chitale who also sits on the Board of L&T and is also the Chairman of the Ethics Committee of Bombay Stock Exchange. The induction of experts like Mr. Lee Polisano, Mr. Rajeev Bakshi and Ms. Harita Gupta in last 18 months as independent directors has helped us further enhance the expertise and diversity of our Board.

I will now end with our measured ESG performance and position on various global sustainability benchmarks, which basically is a testament to our do good do well philosophy. You would have read more in our first annual integrated report last year where we detailed our systems performance and ongoing initiatives. All that track record has actually helped us perform well in these benchmarks. Last year in November, we ranked in the 99 percentile in the S&P global corporate sustainability benchmark. S&P Global CSA is the same assessment that is the basis of entry into Dow Jones Sustainability Index. While we are not in the DJSI we are proud to be performing alongside the top global companies rated through this assessment. With a 5-star badge we are also ranked 3rd in Asia in the development benchmark in GRESB 2022. We are also participating in some more and will report as a results trickle in. Our approach of participating in these benchmarks is that it helps us learn and improve, it helps us quantify our ESG and also aid in continuously enhancing our transparency. We foresee that with our strategy and the set of actions that we

are already taking we will continue to lead this space. With this I hand over to Mahika to update on our social impact and initiatives. Over to Mahika!

Mahika Shishodia:

Thank you all. Good afternoon everyone. The Lodha Group, just like for its business, has an audacious vision for its impact on society. Our focus areas in social impact are women empowerment and education. We are working on two large programs with a vision of building the prosperity and power of our nation. I will first speak about our work on women empowerment.

As you know our country has amongst the lowest female workforce participation rate at about 18%. The reality is that working women in India do two jobs, one managing the household responsibilities and other is their regular job. We observed that the largest drop in female workforce participation is after marriage or after having children. This significantly reduces the work life of women. Our country is not only paying a huge economic cost of an underutilized workforce but also a social cost by marginalizing women. To solve for this our program Unnati brings work to women rather than them traveling to work. At 20 minutes walking distance from our low cost housing developments we are providing workspaces at 75% discount to companies that can absorb at least 500 women in the vicinity into their workforce. These workspaces or Laxmi Bhavans will provide the right enabling environment for women to work consistently, productively and safely. Our aim is to create 100000 new jobs in the next five years. As part of our efforts we are mobilizing the female workforce, providing job appropriate skill training and developing daycare facilities for children. We believe that such an environment will reduce workforce attrition among females and improve work productivity. We recently kicked off our first pilot in Palava and are focusing on the BFSI, telecom, textile and food services sector to provide jobs to match the profiles of the first cohort of women.

The second initiative the Lodha Genius Program is in the education space. We are developing a program in partnership with leading Indian universities to help the brightest students across our country achieve their full potential. The program fills a critical gap in the education sector in India where differential needs of gifted students is often ignored. Most of them have high academic scores and it is assumed that they need no additional support. To bring out the best in these students they need to be supported academically, socio-emotionally and financially. The Lodha Genius Program will identify such students across the country and support them from 8th grade by providing academic exposure, opportunities for growth, financial support, and mentorship. The program is strongly rooted in the values of nation building and a sense of contributing back to society. Both these programs will have a huge impact on the lives of people. Let me stop here and hand it over to Sushil!

Sushil Kumar Modi: Thank you. Thanks Aun and thanks Mahika. With that I think we can take all your questions or queries around the performance.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Saurabh from J.P. Morgan. Please go ahead.

Saurabh: Thank you for this opportunity. My first question is you said that the impact of mortgage increases on demand is not very significant yet, but have you seen any slowdown in terms of footfall from your site or anything, your presales are still good, but in terms of footfalls have you seen any slowdown and if rates were to go to 9.25% at what point do you think the demand kind of slows down so that is the first one, the second one is essentially on slide #12 where you have kind of given this embedded EBITDA disclosure so is the overhead calculation basis the current run rate or you have taken a two-year out run rate of your overheads to get to this 32% EBITDA and third question is essentially the guidance for INR 70 billion of net debt by March 2023 that is slide #10 that is still intact right? Thank you.

Abhishek Lodha: Your last question was not very clear could you just repeat the third question?

Saurabh: So the slide #10 so you have the INR 70 billion net debt by March 2023, we are at INR 80 billion so we are expecting about a INR 10 billion odd reduction in this quarter will that be a way to think about it?

Abhishek Lodha: Thank you understood. So yes, in terms of what we are seeing in the demand environment and we measure it in a number of ways, we measure it in terms of incoming inquiries, we measure it in terms of footfalls, we measure it in terms of conversion rates, and whichever metric one has seen one has found that the desire for homeownership there has been no flagging of that over the last nine months in spite of the significant increase in the mortgage rates. To give you an example the total number of footfalls that we had coming into our sites in December, which again due to holidays and other things tends to not be such a strong month was almost 10000 families walked in, and it is probably the second highest in any month of the year, so one has not seen any flagging of footfalls nor have conversion rates reduced per se, which is really reflected in the fact that we have delivered the INR 9000 odd Crores of sales in nine months. In terms of your second question around overhead costs we estimate our company's overhead costs on the basis of the project's entire lifecycle and that is taken into account when one is looking at the embedded EBITDA margin. If you look at the explanation at the bottom of slide #5 you will note that we explained that embedded EBITDA is calculated taking into account the actual sales price that the unit is sold at and then we take into account the lifecycle cost, which are all lifecycle costs including construction, overhead and so on with only finance cost obviously not deducted from the EBITDA numbers so that is taking into account lifecycle cost. In terms of your third question around debt reduction, yes, we are looking at reducing debt by approximately

INR 10 billion in the current quarter as you would have noted even with the significant investment in land and approvals we were able to reduce our debt by almost INR 750 Crores, 7.5 billion in the last quarter and we feel pretty good about being able to further reduce it by a slightly higher quantum in the current quarter. Not only that, I think even going forward I would like to clarify to you as well as all the others on the call that our guidance of debt at about INR 60 billion is our peak debt number which is really comes out of our limit of debt, our peak debt being 1x operating cash flow and 0.5x equity, but given the fact that we have been able to consistently show growth while reducing leverage we expect our debt to continue to reduce through fiscal 2024 and therefore being meaningfully lower than the INR 60 billion number.

- Saurabh:** Just one last question what will be the mix of JDA and presales for this year?
- Sushil Kumar Modi:** For the quarter it was around 33%, but for the nine months it would be somewhere around 23% so perhaps for the year it should settle somewhere around 25%, 26% is what we can estimate sitting today.
- Saurabh:** This will go to about mid 30s longer term?
- Abhishek Lodha:** Around 40% is our sort of stable state, yes, is what we expected to get.
- Saurabh:** Got it, thank you.
- Moderator:** Thank you. The next question is from the line of Kunal Lakhan from CLSA. Please go ahead.
- Kunal Lakhan:** Just a question on the guidance side. So we have done well on the presales, and we are likely to exceed for the full year, but on the operating cash flow side we have lagged the guidance so what is happening here, is it because of the collections are lagging or are we spending more or is it a combination of both?
- Sushil Kumar Modi:** So on the cash flow actually we are reasonably tracking as you would have seen we have indicated too, so not that the cash flow we have any kind of negative, adverse performance it is just the kind of investment or the kind of business growth that is going hand-in-hand in tandem, which automatically then decides potentially from the cash flow how much the debt reduction happens so it is just a function of that and which is where we continue to remain confident that INR 1000 Crores minimum we would reduce in this running quarter.
- Kunal Lakhan:** Sure. Just a related question on that. The dividend policy that we had set out last year or beginning of this year said that 15% to 20% of the PAT you would pay out as dividends now for the PAT purpose would you consider the reported PAT where you have the

provisioning of INR 1100 Crores odd or would you consider the adjusted PAT just trying to understand that?

Sushil Kumar Modi: No, in all phases we would be looking for an adjusted PAT taking out any extraordinary measures such as like this, but obviously the policy suggests perhaps the max that we would be considering. How much we would be considering will be a function of as is stated in the policy equally our capital structure vis-à-vis the business growth that is ongoing. So as a combination of all of these we will get to arrive at in consultation with the Board a rightful number as dividend, which when we declared in any case so that you note would be kind of paid out more like September-October because it will be more like a final dividend, so after the shareholders' approval.

Kunal Lakhan: Sure that is helpful and lastly on the accounting side we say that our embedded EBITDA margin is better than the reported EBITDA because of the period costs but just trying to understand this. We say whatever is getting recorded in our P&L those projects must have also had that period cost so if you are talking about 1.9 million square feet of deliveries against 2.3 million square feet of new launches to which the period costs have been allocated to so I am just trying to understand like so more or less over a period of time that should get netted off so is that the ways one should look at it?

Sushil Kumar Modi: While the principle of what you are saying is absolutely correct. What has to be taken into account is the differential rate of growth. The current period costs are basis the fact that the organization is running at INR 11500 Crores plus sales run rate and equally construction and business development and all of those activities. Over a medium-term obviously the embedded EBITDA margin that we are reporting and the adjusted EBITDA which will actually be in the P&L they will converge and if you see over the last few years on an ongoing basis our quarterly numbers when it comes to adjusted EBITDA are between the 30% and 35% range so the percentage wise it will be the case but when one looks at absolute numbers because when one is looking at the period cost it is an absolute quantum which is deducted from the lower revenue which is recognized and that is what affects or that is why we say is that the P&L revenue and the P&L EBITDA are lagging indicators whereas when one looks at the presales and the embedded EBITDA one can get a much more real time picture of the performance of the business. So just so that you understand in any case our embedded EBITDA percentage that we are indicating is pretty much tracking the current performance as well as you would have seen adjusted EBITDA even for be it nine months or be it for the quarter is in the range of around 32% so pretty much on track what you are not getting effectively is a flow through of that EBITDA to the PAT which is on account of our past capital structure being tilted towards debt where the significant amount of interest got capitalized and hits the P&L included in the cost of projects, so as our trajectory on the net debt reduction continues then effectively all of that kind of completely wipes out and which is what when you see the pro forma P&L we have

indicated for the current year on an average debt that we would have for this current year our interest cost, finance cost would be around INR 1000 odd Crores and we have taken the entire INR 1000 Crores in the pro forma P&L showing it coming into the P&L as is and then what should be the PBT or a PAT.

Kunal Lakhan: Sure, thanks so much and all the best.

Moderator: Thank you. The next question is from the line of Sameer Baisiwala from Morgan Stanley. Please go ahead.

Sameer Baisiwala: Thank you very much and good afternoon to everyone. Just on the new project acquisition side JDA how is the outlook for next 12 months, in the sense that is the space getting very competitive from a bidding point of view and for the deals that you have done so far what is the sort of a typical land owner, is it an industrial or if you can just share some light on that?

Abhishek Lodha: What would I say our BD cup is flowing over as it stands right now it has not only seen in terms of the quantum that we have been able to do in nine months but also in terms of what the pipeline is and how much of deal inflow is coming through. So very clearly we see that we are quite the preferred choice especially in our focus cities of Mumbai and Pune for joint development and we are seeing a very steady pipeline there in terms of your question around who are the providers of this land.

Sameer Baisiwala: Yes.

Abhishek Lodha: Mix there are landowners, there are financial institutions who have historically been stuck with some assets, there are developers who are stressed and so it is a wide mix as it has been over the last 20 months as we have sort of added almost INR 30000 Crores plus of new projects.

Sameer Baisiwala: At any point in time are you thinking of reverting back to outright purchase of land and for Bengaluru is there any update and would JDA be the principle way of expansion over there?

Abhishek Lodha: In terms of Bengaluru we are in what we call the seed phase. The seed phase is where we do a few projects, deliver the projects so that is really why we entered Bengaluru almost three years before we really needed to enter for growth purposes, almost all our growth up to fiscal 2026 is going to come from Mumbai and Pune, Bengaluru we are using this time to establish our brand become local, establish a strong operating structure and team and we continue to be operating with a low risk model which is JDA driven. In terms of whether we will acquire land outright the answer of course is yes as you will note in our presentation we expect our medium-term mix to be about 60% outright and 40% JDA. So obviously we are moving from a situation where we were almost 100% outright and are now slowly over the

next 18 odd months going to get close to the 40% JDA mark. This will also be the time period in which we have corrected our balance sheet through a combination of capital raise and operating cash flow generation you saw last quarter and in this year overall we will reduce debt by almost INR 2500 Crores which is all organic and therefore it has been quite useful for us to use the JDA model to keep growing while we have made our balance sheet as strong as we like it to be. With the strong operating cash flow that we have close to INR 60 billion this year a higher number next year will of course give detailed guidance in our April call we expect to have the ability to of course acquire land outright the JDA will like I said be about 40% the balance being outright.

Sameer Baisiwala: Just one final question from my side. Macrotech has always been known to be more of a South Central Mumbai company so I can see on slide #22 you have 1.2 million square feet of own land and then nothing so this is all in the park project, and the second is going forward how do you plan to continue your dominant position in this micro market?

Abhishek Lodha: We have as you rightly pointed out about 1.2 million square feet of own land and then about 1.7 million square feet of JDA land in South and Central Mumbai totaling to about 3 million square feet currently, beyond of course whatever is under construction as well as what is ready and unsold. So there is quite a significant quantum available with us if you look at the numbers we have about ready unsold of INR 37 billion and ongoing unsold of INR 70 billion so that in itself is almost a INR 110 billion that we have and in addition beyond that we have 3 million square feet and you can ascribe whatever value let us say another INR 100 billion to that. So between the two buckets that is more than INR 200 billion of inventory that we have which is a good three years plus of sales in the market so we see very good and given our strong performance in this market the marquee quality of projects that we deliver the business development pipeline also is very strong. So very clear visibility as you will already have noted for the next three to four years and very significant business development which is available for us. So we do not see any concern in terms of our ability to continue to provide high quality product to the South and Central Mumbai market.

Sameer Baisiwala: 0.9 million is all in park, right?

Abhishek Lodha: You are talking about the 0.9 million of...

Sameer Baisiwala: The own land, beyond 12 months slide #22.

Abhishek Lodha: That is our project in Prabhadevi. That is partly in Prabhadevi and partly there is another location. So park I think almost everything will be under ongoing unsold.

Sameer Baisiwala: Okay got it. Thank you.

Moderator: Thank you. The next question is from the line of Pritesh Sheth from Motilal Oswal. Please go ahead.

Pritesh Sheth: Thanks for the opportunity. First question on Mumbai as a market from overall macro perspective we have seen upsurge in demand in last two years I think Mumbai has been one of the best market, but now over the last probably five, six months the volumes which we have seen in terms of registration as well as the consultants' reports have been kind of steady there has not been much growth what is your outlook on Mumbai as a market will we continue to see growth in terms of the industry volume that currently the region is clocking in and how do you see the upcoming infrastructure development helping boost further demand?

Abhishek Lodha: Thank you that is an important question. Our view is that Mumbai is at a cusp of a breakout driven by two things one of course is the infrastructure creation which has been in the work for almost a decade now, but a number of those projects will culminate in the next 24 months and I think those are going to be really game changing for Mumbai including the Trans Harbour Link, the coastal road, several arms of the metro and a lot of many other not so prominent projects. This I think is coming at the right time for Mumbai because I think in India now we are going to see the impact of manufacturing leg of growth in addition to of course the strong services leg that India has, and as capital investment, whether under the PLI scheme or otherwise, whether led by the domestic consumption or the China Plus One Strategy all of these fructify, Mumbai is likely to be an outsized beneficiary of that through front office as well as banking. So generally we believe that Mumbai is very well poised because of these things that I mentioned. However, in our own internal assessment we remain to do our numbers on a conservative basis we expect nominal growth in the Mumbai market to be in the 10% to 11% range with a mix of about 5% to 6% in price and the balance in terms of volume so generally we are expecting Mumbai market nominal growth to be, our internal assumption is being conservative are below nominal GDP growth.

Pritesh Sheth: Just a followup on that, I think initially while we were targeting the markets like Western suburbs, Eastern suburbs, as well as Pune, Navi Mumbai was also one of the markets where we were looking for growth opportunities, but I think we have not materialized anything in that any separate challenges that we are facing in that market and what is your additional outlook in that market?

Abhishek Lodha: That is very good read. You are right that most of our new project additions have been in the other markets you mentioned including Western suburbs, Eastern suburbs, and Pune, in addition to the three markets of South Central Mumbai, extended Eastern suburbs and Thane where we have historically been very strong. Navi Mumbai and Eastern suburb is a joint market for us and we have opportunities available in the Navi Mumbai market, we have just found that the profitability levels there are not as strong as what we are

comfortable with and therefore we have been choosy in picking what to work on. We continue to evaluate opportunity but as we said in a different context we are not only chasing topline we are chasing profitable topline and therefore will always be disciplined in the kind of projects we take up so there both the topline and the bottomline should be understandable by us.

Pritesh Sheth: Just one last question, I think you mentioned in your initial commentary that the embedded EBITDA margin even if we are at full scale contribution from JDA that is at 40% the EBITDA margin can remain at 30% kind of a range versus in presentation you have mentioned the mix probably we are calculating at 25% so just a clarification of that whether 30% can be achievable with 40% JDA contribution or I misunderstood something?

Abhishek Lodha: We do expect that even as the contribution from JDA stabilizes around 40% that given a combination of our scale and therefore our ability to make sure that construction costs are continuing to be value engineered and our overhead costs also given the larger scale are improving plus the price growth that one is seeing in the market place which adds to margin we will be able to maintain the approximate 30% in terms of our EBITDA margins even with the 40% contribution from JDA obviously there may be a quarter where it may become 29%, in another quarter where it maybe 32% but over any meaningful period that 30% should be achievable.

Sushil Kumar Modi: Actually you can do the math straight right. The difference between the outright and the JDA typically would be somewhere around let us say 10% to 12% and if you just extrapolate to the fact that we would have 25% of JDA mix this year and even if you go to the 40% in the FY2024 that means incremental 15% on that if you take that 12% equation being paid out the differential between the two land model that net impact would be somewhere around 2% and that 2% if you then look at from a price rise standpoint, price rise being around 5%, 6% even if netted down with any construction cost inflationary impact if at all has to further play out for any conservatism you can safely see that, that will get reasonably offset with the price rise and thereby 30% in itself perhaps should not have any challenge maybe even more.

Pritesh Sheth: That is what I wanted to clarify thanks for that answer and all the best. That is it from my side.

Moderator: Thank you. The next question is from the line of Alpesh Thacker from Antique Stock Broking Limited. Please go ahead.

Alpesh Thacker: Thank you for taking my question. Sir my first question is kind of continuation from one of the previous questions that we had. So as we understand that we are in a midst of a strong housing upcycle and this comes with increased expectation of every stakeholders including

the land owners so just want to make sure that how do we ensure that we still make reasonable returns on the projects that we get into so what is the thought process behind that and how do we ensure that we do not get into projects which are really not very profitable or meet our benchmarks?

Abhishek Lodha: It is an important question. Two things you will have to take into consideration as you determine how land owners are thinking about the situation. Point number one is that with the steady consolidation in the industry while the quantum of land supply is the same or similar or may even get higher as prices move up the number of takers of that land are limited and therefore the negotiating leverage or negotiating power is tilted towards those who are taking the land that is one element. The other element especially in the joint development model is that the land owner continue to benefit from the upside in pricing so they need not push hard on the percentage of revenue or profit that they would get because in absolute terms as the market strengthen they will benefit from that upside too so we have not seen any circumstance or anecdotes right now where we see undue pressure. Obviously every landowners wants to make sure they get a good deal, but the good deal is not only the percentage of profit or revenue it also includes who is the partner, what is the transparency, how likely is the project's timeframe and price realization to be close to business plan, what is ultimately going to be the NPV, so all these factors have been taken into account by the land owners and we do not see any undue pressure on the land cost.

Alpesh Thacker: My second question is I am referring to the slide where you guys provide price inflation of different materials there we see sharp increase in lifts and elevated costs so how should one read it so what has really gone wrong there what is the reason behind that, that is it from my side?

Abhishek Lodha: I do not really know the specific answer to that nor it is my area of expertise. I can only guesstimate that given the lockdowns in China and because China tends to be a provider of both input materials as well as finished goods in the elevator space one may have seen a spike and because it is a December 2022 number you may see that up to March 2022 the impact was limited but then suddenly you saw a much bigger impact in this period up to December 2022 but we will do a deep dive and hopefully be able to give you an offline answer on that.

Alpesh Thacker: Thanks a lot for the clarification. That is it from my side.

Moderator: Thank you. The next question is from the line of Abhinav Sinha from Jefferies. Please go ahead.

Abhinav Sinha: I wanted to ask a question on the digital infra side so you have put up some numbers on slide #17 so can you just provide some clarity on the area under development and area

under construction what does it mean, is this what we have, let us say part of JDA where we can earn earnings, etc., so that is one, and also on this what is the cost of the Kurla land parcel, and you have also given some numbers, some targets for this business can you just elaborate that? Thank you.

Abhishek Lodha: Your first question if I understood correctly is what is the difference between area under development versus area under construction. Area under development is the total land which we have acquired and started infrastructural activities around, area under construction is where the physical construction of the box has started so that is the two so you can read it as saying that we have approximately 5.7 million square feet which is available for development and the infrastructure activities around that has started out of which 1.4 million square feet are under construction as physical boxes so that was one. In terms of the consideration for the Kurla land the exact amount was I think it is approximately INR 150 Crores we will get you with the exact figure, and I think while your line was little unclear the last question you had is what are our growth plans in this area. As you are aware the platform has been earmarked very significant amount of investment into this area we believe that warehousing and industrial are secular growth stories in India and are supply constrained and we expect to scale this platform up meaningfully in the next three years such that our share of income which is our one third share in the propco plus our fee income from managing the opco will be approximately INR 3 billion by fiscal 2026.

Abhinav Sinha: If I may ask one last question the office space at World Towers I believe it is now completed right so by when are we expecting to monetize it and will we go for say a part monetization as it leases or you would like to do it in one shot?

Abhishek Lodha: As you have noticed we have about INR 30 billion worth of office or retail assets which are ready or almost ready now including the one Lodha place office building which you mentioned. In terms of our monetization plans we do not have a clear decision yet on the form of monetization obviously we do not expect to continue to hold it long-term on our books our current focus is on leasing. The leasing activity has started off well, we are having a number of marquee clients including companies like Condé Nast and Gucci, who have signed on and we are focused now on leasing the building out and once the leasing activity substantially progress we will decide on what is the best way of monetizing the asset.

Abhinav Sinha: Thank you.

Moderator: Thank you. The next question is from the line of Parvez Qazi from Nuvama. Please go ahead.

Parvez Qazi: My question is regarding our township business so what is the kind of presales that we saw from that segment in Q3 and what are the future launch pipeline in that segment? Thank you.

Abhishek Lodha: The township business is classified largely under what we call extended Eastern suburbs, so if you look at the details on slide #20 of our presentation you will note that we had about INR 5.5 billion of presales from the extended Eastern suburbs and we obviously have very significant land holdings in our developments there. The number for the nine months so far is just under INR 17 billion and we expect that segment will grow to over INR 20, INR 22 billion or thereabouts for the full year. The launch pipeline is quite significant. For those who are in Mumbai you may have even seen an ad this morning of a new segment which is the Crown segment in Dombivli, and we continue to add in new segments like including plotting, higher end aspirational housing, the continuing mid income housing under our Casa brand then lower down more affordable housing under the Crown by Lodha brand we are doing office spaces there in terms of office sales, so we are seeing a number of different drivers on the product side. There is a lot of interesting and positive infrastructure activity in that area. The Thane-Dombivli link road is now physically complete and should be open for operations in the next three months which will make Upper Thane just a 10-minute drive to Dombivli West station. The Nagpur-Mumbai Samruddhi Mahamarg will also touch the Upper Thane project on one side and that will make the drive from Upper Thane will basically become the gateway to Mumbai for all of Northern Maharashtra. Similarly in Palava we have seen a lot of augmentation of roads. The Airoli tunnel work it looks like it is quite a bit progress and will make Airoli a predictable 20 minutes away from Palava, which we expect to be a meaningful contributor to additional demand, and we also are seeing other activities. So overall we feel quite bullish about the reset in the townships business both helping reset in terms of pricing as well as in terms of volumes and we do expect that maybe from fiscal 2025 onwards you will see a meaningful shift upwards in the total contribution from the townships business.

Parvez Qazi: Thank you. That is it from my side.

Moderator: Thank you. The next question is from the line of Kushagra from Old Bridge Capital. Please go ahead.

Kushagra: Thanks for the opportunity. Just one question. If I look at your JDA signings launch timeline on slide #15 and if I compare this with your earlier disclosures just curious to know that majority of the timelines have sort of postponed, like for example certain projects which were about to get launched in starting FY2023 or mid of FY2023 have been sort of postponed to FY2024, I remember one of the key differentiating factors for JDA signings, which we have highlighted are the lower launch timelines from the date of signings right so correct me if I am wrong or should we read anything over there?

Abhishek Lodha: No, I think the fact is that if anything shifts by a month or two months you will see that shifting from fiscal 2023 to fiscal 2024 because you are in the last quarter of fiscal 2023. So that is about it actually if you look at it from our new projects launches which is probably the better way to read what we are launching and what time it is taking to get us to launch which is I think the previous slide #14 and then there is a detailed summary of that also you will continue to see that our launch activity is very robust, you will see the slide #13 that our launch activity is quite robust and that is summarized on slide 14. So really no change in how we are able to get projects to market timely, often one or two months swing will happen but when you see it in the last quarter of the year it will look like a year has shifted.

Kushagra: Yes, totally understand that. Sure, thanks and all the best.

Moderator: Thank you. Ladies and gentlemen that was the last question for today. I now hand the conference over to the management for closing comments.

Anand Kumar: Thank you everyone for joining the call. It was a pleasure to answer all your questions. Feel free to reach out to me or Sushil for any further updates. We will be happy to help you. Thank you.

Moderator: Thank you. Ladies and gentlemen on behalf of Antique Stock Broking Limited that concludes this conference. Thank you for joining us. You may now disconnect your lines.